

AGENCY ACTIVITY INVENTORY

The Office of State Budget in conjunction with the Governor's Office is developing an agency activity inventory database to assist in the development of the budget for FY 2005-06. In order to accomplish this initiative, each agency will be required to break down its FY 2004-05 Appropriations into discrete and definitive activities.

The guidelines that follow provide you with a general background as to the type of information each agency is being asked to prepare and submit.

I. ACTIVITY DESCRIPTION

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product, service or result. One way to define activities is to consider how agency employees describe their jobs to their families or friends. In other words, "What do you do? For whom do you do it? Why is it valuable?"

For the Activity Inventory, an agency's work should be broken down into its discrete functions or services. An activity description that requires several compound sentences or lists to accurately convey the work probably needs to be divided into several separate activities. One of the primary objectives of this initiative is to identify and capture agency activities at a greater level of detail than can be found by looking at the annual Appropriation Act.

We are not looking for activities based on geographical or office location (Pee Dee Correctional Facility, Columbia Area Mental Health Center, etc.). Activities should be those functions that cut across geographical lines (e.g. Food Stamps, dental services, instruction, boating safety, etc.)

If you have trouble determining the types and levels of activity, you may wish to examine activities identified by the state of Washington in a similar project. All of the activities reported by agencies in the State of Washington can be found at: <http://www.ofm.wa.gov/budget/activity/03-05/activity.htm>

II. ACTIVITY ASSOCIATED INFORMATION

The Activity Inventory will become a database that describes the activities of each agency. For each activity the inventory should include:

- **A brief description of the activity and its purpose.**
- **The expected results of the activity expressed as an outcome description with appropriate outcome/output measures, if available.**
- **The agency program(s) as found in the Appropriation Act where the activity is funded.**
- **The budget for the activity by State, Federal and Other funds for FY 2004-05.** A separate control sheet is attached to show the figures your agency must balance back to for the agency as a whole.
- **The number of FTEs associated with implementing the activity.** A separate control sheet is attached to show the figures your agency must balance back to for the agency as a whole.

In general, we are looking for descriptions that explain:

What is the activity?
What is its purpose?
What does the agency actually do?
Who receives the service?

These descriptions should also state whether the activity is required by state and/or federal law and include the citation(s). Please avoid the use of jargon and acronyms. In the expected results section, describe the expected or desired results of performing the activity. Outcome measures are the impact of agency activities on problems/issues they are designed to address. Outputs – measures that describe the volume of work accomplished – are also acceptable, but less preferred than outcome measures. If it is not possible to identify an appropriate outcome or output measure at this time, only provide a narrative description of the expected result.

OSB understands that agencies may not currently track financial and FTE information at the activity level in their current accounting or budgeting systems. In these cases, we ask agencies to estimate the dollars and FTEs allocated to each activity. The activity inventory should provide a reasonable estimate of the full costs of activities.

III. ADMINISTRATIVE COSTS

Administrative costs can be divided into two components: **Indirect Costs** and **Overhead Costs**. The following instructions describe how to treat these two types of costs in the activity inventory. We realize many of the cost terms used here mean different things in different organizations. Please use the definitions below to develop activity inventory estimates.

Indirect costs are administrative costs that are linked to two or more activities, are closely related to and tend to vary with activity level or size, but usually cannot be practically or economically direct-charged. These costs should be assigned to activities through cost allocation and included in the total cost of the activity in the activity inventory. Such costs usually include rent, utilities, supplies and materials, postage and travel. Fringe benefits associated with the personal service budgeted for each activity should be included.

Indirect costs should be assigned to activities on some generally accepted cost allocation basis. We encourage agencies that already use a cost allocation methodology for some accounting purpose to use that method to allocate indirect costs to activities. Other possible approaches to allocating indirect costs to activities include, but are not limited to:

Allocating by the number of FTEs in each activity.

Allocating by the total dollars budgeted for each activity.

Allocating by one or more bases that serve as good surrogates for the costs caused by each activity. For example: rent costs by the number of square feet.

Overhead costs may vary from agency to agency. However, some of the prime examples include salary and support costs for the agency director, core portions of the agency accounting, budgeting, and human resources,

communications, and receptionist functions; and other shared administrative costs that are not closely related to activity levels.

Every agency has some core administrative functions and costs regardless of the number or sizes its activities. These **overhead costs** usually support the entire organization, are not directly attributable to specific activities, and tend to be relatively fixed and not readily affected by fluctuations in activity levels. These costs should **not** be allocated to activities because they are not “caused” by the activity. Show these overhead costs separately in one “Administration” activity in the activity inventory for your agency as a whole. Additionally, we also need to know how much of your agency administration is associated with each activity. Therefore, please indicate what percentage of your total administration costs should be associated with each activity.

OSB is not concerned that each agency classifies the same type of cost in the same way. We most want to ensure that the activity costs include those administrative costs that are critical to support the activity and to ensure the activity result can be achieved. If an agency has only a few employees and/or activities, OSB may not require the agency to break out overhead costs as a separate administration activity.

IV. PASS THROUGH FUNDS

Pass through funds should be detailed as a separate and distinct agency activity. Each individual allocation and the corresponding funding amount should be itemized within the Expected Results section on the Excel template. Appropriate outcome/output measures associated with pass through allocations should be reflected in the Outcome Measures section of the template. **Funds that are allocated by the agency on a competitive grant basis should not be considered as pass through funds.**

V. SCHEDULE FOR SUBMISSION

Agencies should submit their activity inventories by no later than July 15, 2004. Agency Activity Inventories may be returned to the agency if further information is needed and/or if agency activities have not been “broken-out” into a sufficient level of detail. As stated earlier, one of the objectives of this initiative is to identify and capture agency activities at a greater level of detail than can be found by looking at the Appropriation Act.

Separate and more specific instructions for completing each agency's activity inventory based on an Excel template can be found at: <http://www.budget.sc.gov/OSB-index.phtm>. A sample agency response is included in this packet of information. If you have questions concerning this initiative you should call your State Budget Analyst.

Agencies should submit three (3) hard copies and an electronic version to the Office of State Budget, 1201 Main Street, Suite 950, Columbia, S.C. 29201 Attention: Karen Rhinehart. The electronic version should be submitted to Krhinehart@Budget.SC.gov

VI. ATTACHMENTS

- Excel template
- Agency example (Excel template)
- Template Instructions
- Examples of activities reported by state of Washington agencies
- FY 2004-05 Agency Budgets and FTE's (Control Sheet)